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PP RUEHLMC
DE RUEHTG #1211/01 3311743
ZNR UUUUU ZZH
P 271743Z NOV 09
FM AMEMBASSY TEGUCIGALPA
TO RUEHC/SECSTATE WASHDC PRIORITY 1183
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEHC/DEPT OF LABOR WASHDC PRIORITY
RHMFISS/CDR JTF-BRAVO PRIORITY
RUEIAYF/ATO LATIN AMERICA PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHMFISS/COMSOC SOUTH PRIORITY
RHEFDIA/DIA WASHINGTON DC PRIORITY
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEIDN/DNI WASHINGTON DC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC PRIORITY 1255
RHEHNSC/NSC WASHDC PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUMIAAA/US SOUTHCOM MIAMI FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 TEGUCIGALPA 001211

SENSITIVE
SIPDIS

DEPARTMENT OF STATE FOR: SMORGAN
DEPARTMENT OF LABOR FOR: PAULA CHURCH

E.O. 12958: N/A
TAGS: [EAID](#) [ELAB](#) [ETRD](#) [ECON](#) [BBSR](#) [EIND](#) [KDEM](#) [KTEX](#) [HO](#)
SUBJECT: AGREEMENT REACHED IN FRUIT OF THE LOOM LABOR
DISPUTE

REF: TEGUCIGALPA 158

11. (SBU) Summary. An agreement was signed on November 14 between Fruit of the Loom's Russell Corporation (FOTL/RC) and the SITRAJERZEESH union (SU) over the January closure of the Jerzees de Honduras (JDH) factory in Choloma, Department of Cortes. The agreement includes the rehiring of displaced workers and reopening of the factory in January 2010. Both sides of the negotiation expressed confidence that the landmark agreement will be implemented fully and expressed appreciation for the Embassy's support and assistance. The union expressed concern over the issue of its registration with the Ministry of Labor, however it appears that FOTL/RC has agreed to work with the union despite delays in its registration with authorities. End Summary.

The Negotiations

12. (SBU) Gladys Cisneros of the Solidarity Center in Washington, DC told Poloff that a settlement agreement was signed on November 14 to resolve the dispute between workers FOTL/RC over the closure of JDH factory in Choloma, Department of Cortes in January (ref A). Cisneros was at the negotiating table with FOTL/RC representatives and union representatives of SITRAJERZEESH Union (SU) and their parent organization, General Workers Confederation (CGT). Cisneros told Poloff that the agreement will lead to the reopening of the factory under the name, Jerzees Nuevo Dia, and that FOTL/RC agreed to rehire the workers that lost their job due to the factory closure.

13. (SBU) Cisneros described the agreement as historic because it recognized that JDH workers had lost their livelihood for standing up for the right to organize guaranteed under local and international laws. Cisneros congratulated both sides in the negotiation for their willingness to take a step back and see the needs of the other. Cisneros told Poloff specific credit is due to FOTL/RC Vice President for Marketing Rick Medlin and Evangelina Argueta of the CGT. Cisneros described

the successful agreement as a combination of good will on the part of negotiators, but also consumer demands that products be made in factories that respect the rights of workers to organize. From the point of view of Cisneros, she believed Medlin was "absolutely committed to the image of the company," and for that reason took to heart what workers were saying at the negotiating table.

¶4. (SBU) Poloff talked to Evangelina Argueta of the CGT on November 18 regarding the negotiation of the agreement. Argueta said that the CGT was very pleased with the outcome and that she believed there was good faith on both sides about the implementation of the agreement. Argueta expressed appreciation to the Embassy for its assistance and support since the JDH factory was closed.

The Details of the Agreement

¶5. (U) Cisneros told Poloff on November 23 that the text of the agreement will not be released to the public, but that one item she felt indicated the good will of FOTL/RC was the condition that the immediate clean-up and work to reopen the factory would be completed by fifty of the displaced workers. Cisneros felt this indicated the willingness on both sides to "pitch in together" in order to make the new factory successful.

¶6. (U) The sides released a public document that outlines in general terms the agreement. The points include the

TEGUCIGALP 00001211 002 OF 003

following:

--FOTL/RC agreed to establish a unionized apparel factory of substantial size in Choloma, Honduras called "Jerzees Nuevo Dia," which will employ former Jerzees de Honduras employees.

The SITRAJERZEESH Union (SU) will be the exclusive representative of the workers at the new factory. The company and union have also agreed to a process of good faith collective bargaining.

--The company and union have agreed to cooperate on the hiring of the former Jerzees de Honduras employees at the new factory and at the company's other Honduran facilities. All former JDH employees will be extended an offer and it is the company's intent to complete this process within one year.

--The company and union have established a framework for ensuring respect of the worker's freedom of association rights in all company factories, including provisions addressing training of workers through a join union-company training program and union access to facilities.

--An oversight process has been developed to ensure the success of the new relationship that includes an ombudsman to monitor day to day issues and mediation where needed.

--The company has agreed to establish a workers welfare fund to provide assistance to displaced workers and will contribute a substantial amount to this fund. The money will be distributed to workers by the Worker Rights Consortium, the General Confederation of Workers, and the American Center for International Labor Solidarity.

Challenges

¶7. (SBU) Cisneros told Poloff on November 23 that she believed the biggest challenge for the implementation of the agreement is the name change of the factory and that this could impact the labor union's registration with the Ministry of Labor. She said that FOTL/RC had agreed to recognize and continue to negotiate with SU even if they were not formally registered with the Ministry of Labor. She requested Embassy assistance for the expeditious registration of the labor

union under the new factory name. Poloff explained the Embassy's no contact policy due to the coup d'etat but said that we would be willing to help as much as possible within those guidelines.

Reaction by Fruit of the Loom/Russell Corporation

¶8. (SBU) Tony Belaski, Senior Vice President of Human Resources for FOTL, Edward Vardales, Director of Human Resources for Central America and Mexico, and Werner Oberholzer, local plant manager in Choloma, discussed FOTL's stance on the agreement with EconOff in a November 25 telephone call. Belaski, who was part of the negotiating team, said that Fruit of the Loom was very pleased with the outcome and sees it as a landmark agreement for labor-management relations. Oberholzer added that other firms operating in Honduras view this as a new model for labor relations and may implement some of the measures if they see them as providing long-term positive benefits for Fruit of the Loom.

¶9. (SBU) Oberholzer stated that the factory is slated to begin operating on January 4, 2010 and hopefully to be at optimal production within six months. Preparations are already underway, including moving machinery to the new

TEGUCIGALP 00001211 003 OF 003

facility. The plant was previously located in a leased building one block away from the new building owned by FOTL. Belaski added that they have already begun hiring back members of the previous workforce and that sixteen members are already on the payroll and handling the move-in preparations.

¶10. (SBU) According to Belaski, FOTL plans to rehire 750 workers out of the 1400 displaced. Vardales noted that 400 workers already found other jobs through their workers displacement center. Belaski said that they were not rehiring the full 1400 workers because the general demand for their products is lower now than when the previous factory closed. In addition to reduced demand, Belaski cited retailers maintaining lower inventory levels and the loss of some university licensing agreements as other reasons why they would not initially need the same size workforce as previously. He did note that since the agreement was signed, Arizona State University began the due diligence process to sign a new licensing agreement with Fruit of the Loom and that they are in talks with some of the other universities with whom they had licensing agreements.

¶11. (SBU) Fruit of the Loom is planning on sending a delegation from its corporate headquarters, including Belaski, to Honduras in the first quarter of 2010. At that time, they intend to meet with the newly installed Minister of Labor and have also requested to meet with Embassy officers. Furthermore, Belaski extended an invitation for Embassy officers to accompany the delegation when it inspects and tours its new facility in Choloma.

Comment

¶12. (U) This landmark agreement is an important step forward for workers rights in Honduras; we will support the agreement's implementation in any way we can. The agreement is not only the first of its kind, but also received a high level of media attention in the United States following very public pressure by anti-sweatshop student groups. The mutual respect and confidence expressed by both sides shows that the probability of success for this agreement is high.

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